



## FAQs for Reporting Blocks and EFP Transactions on FX Products

The purpose of this document is to provide some quick answers to common questions pertaining to reporting Ex-Pit FX Transactions, including Block Trades and Exchange for Physicals (EFPs).

### Ex-Pit Transactions

#### 1. What is an Ex-Pit Transaction?

The term "Ex-Pit Transaction" refers broadly to transactions that exchange rules permit to be executed non-competitively outside of the central market, and cleared through CME Clearing. We encourage the use of CME ClearPort for such clearing purposes. Permissible ex-pit transactions at CME for FX include EFPs and block trades.

### Block Trades of FX Products

#### 2. What is a Block Trade?

A Block Trade is a privately negotiated futures, options or combination transaction that is permitted to be executed apart from the public auction market. Participation in block trades is restricted to Eligible Contract Participants, as defined in the Commodity Exchange Act.

Rule 526 ("Block Trades") governs block trading in CME, CBOT, NYMEX and COMEX products. Block trades are permitted in FX products and subject to minimum transaction size requirements that vary based on the type of transaction and time of execution. Block trades may be executed at any time at a fair and reasonable price.

For more details on Rule 526 specific to the CME, please click on the following links:  
CME: <http://www.cmegroup.com/rulebook/CME/I/5/26.html>

#### 3. What are the benefits of Block Trades?

- Retain control and convenience of privately negotiating a trade with a selected eligible counterparty
- Ability to execute a large transaction at a fair and reasonable single price
- Risk management provided by CME Clearing
- Designed to meet the needs of institutional traders

#### 4. CME Block Trade-Eligible FX Products

Please see the table on the next page for a list of CME FX Products and their minimum transaction size that are block trade-eligible. Regular Trading Hours are defined as 7:00 a.m.- 4:00 p.m. Chicago time, Monday-Friday on regular business days.

CME Products	Futures	Options	Flex Options
EUR/USD*, JPY/USD*	150 contracts	250 contracts	N/A
AUD/USD*, CAD/USD*, CHF/USD*, GBP/USD*, MXN/USD	100 contracts	250 contracts	N/A
EUR/GBP, EUR/CHF, EUR/JPY, NZD/USD, BRL/USD, CZK/USD, CZK/EUR, HUF/EUR, HUF/USD, ILS/USD, KRW/USD, PLN/USD, PLN/EUR, RMB/USD, RMB/EUR, RMB/JPY, RUB/USD, ZAR/USD, USD/TRY, EUR/TRY	50 contracts	250 contracts	N/A
AUD/CAD, AUD/JPY, AUD/NZD, CAD/JPY, CHF/JPY, Dow Jones CME FX\$INDEX, EUR/AUD, EUR/CAD, EUR/NOK, EUR/SEK, GBP/JPY, GBP/CHF, NOK/USD, SEK/USD	50 contracts	N/A	N/A
EUR/USD 1-Month and 3-Month Realized Volatility Futures	50 contracts	Not available	Not available

\* The related E-mini and E-micro contracts on these products are NOT eligible for block trading.

## 5. How do I report block trades?

Block trades may be reported to the exchange via one of the following methods:

### 1) CME ClearPort

Block trades may be electronically reported to CME Clearing via CME ClearPort. You must be registered in CME ClearPort as a broker to enter trades on your own, or as a trader if you are the designated party to a trade. The CME ClearPort demo provides an excellent introduction for registering and submitting ex pit transactions:

<http://progressive.powerstream.net/008/00102/edu/interactive/clearport/demo/start.htm>

For information on reporting block trades through CME ClearPort, please contact customer service at 1.800.438.8616, via email at [ClearPort@cmegroup.com](mailto:ClearPort@cmegroup.com), or visit: <http://cmegroup.com/clearport>

### 2) Globex Control Center (“GCC”)

Almost all block trades may be reported to the GCC. The seller reports the trade by calling the GCC at 312.456.2391 **within five minutes of execution**. When the GCC is closed, the block trade must be reported no later than five minutes prior to the opening of the next electronic trading session for that product. The seller then has their clearing firm type the trade into Front End Clearing (FEC). Parties/executing brokers familiar with the block trade procedures designated by the Contacting firm can call trades into the GCC without ClearPort registration, although the exchange prefers parties who are ClearPort registered.

### 3) Front End Clearing Systems

The Front-End Clearing System (FEC) is a web-based application that provides Clearing Member firm back office staff with an integrated method for entering/processing a variety of trade types, including:

- Blocks
- Exchange for Physicals (EFPs)
- Differential Spreads
- Electronic Trade Changes
- FLEX Options
- Fungibles
- Packs and Bundles
- Pit Trades
- SLEDS
- Transfers

Member staff can enter, modify and delete trade records using FEC. Give-up and Average Pricing functionality is available. For more information, please consult:

<http://www.cmegroup.com/clearing/systems-operations/front-end-clearing.html>

**6. How do I register to enter block trades on CME ClearPort or register someone on my behalf?**

All ClearPort brokers and traders must be CME ClearPort registered.

- 1) Establish an account with a CME clearing member.
- 2) Complete the online [Exchange User License Agreement](#) (EULA) whether you are a broker or a trader.
- 3) Once you have received your username and password, contact the Clearing/Risk staff person at your clearing member firm. Request that your clearing account be added to the Risk Allocation Value (RAV) Manager. Inform your clearing firm as to which OTC brokers, if any, should be allowed to enter trades for clearing on your behalf. You will then be given permission for any markets you wish to clear.
- 4) You can then login to CME ClearPort Graphical User Interface (GUI) with your ID and password at: <https://services.cmegroup.com/cpc/>

**7. Do I have to use CME ClearPort GUI for reporting trades, or are there other trade-entry options?**

There are other options, although the ClearPort GUI is recommended and fully supported by the exchange. CME ClearPort offers a fully featured API for systems integration. For more information on other trading vendors for CME ClearPort, contact CME ClearPort 3<sup>rd</sup> party services: **+1 800 275 6215**.

**8. How will doing block trades change under CME ClearPort?**

If you are ClearPort registered, you no longer have to call the GCC to report block trades, nor will your clearing firm need to enter the deal into FEC. Any properly registered party can enter them directly on the CME ClearPort GUI. Customers may also call the GCC to report block trades.

**9. For which FX products can I report block trades?**

Any FX product that is currently Block Trade eligible can be reported. The current list and minimum quantity requirements can be found on the **Advisory Notice RA1001-3**, a PDF which is available at: [http://www.cmegroup.com/rulebook/files/CME\\_CBOT\\_RA1001-3.pdf](http://www.cmegroup.com/rulebook/files/CME_CBOT_RA1001-3.pdf)

Inter-commodity FX futures spreads may be executed as block trades provided that the quantity of **each** leg of the spread meets the **larger** of the threshold requirements for the underlying products. In general, options/futures spreads may be executed as block trades provided the options component of the spread meets the minimum quantity threshold for the outright option/option combination and the quantity of futures executed is consistent with the delta of the options component of the spread.

**10. Who is eligible to hold positions in block trades of FX Products?**

Each party to a block trade must be an Eligible Contract Participant (ECP), as defined in Section 1a(12) of the Commodity Exchange Act. ECPs generally include exchange members and member firms, broker/dealers, government entities, pension funds, commodity pools, corporations, investment companies, insurance companies, depository institutions and high net-worth individuals. Commodity trading advisors and investment advisors who are registered or exempt from registration, and foreign persons performing a similar role and subject as such to foreign regulation, may participate in block transactions provided they have total assets under management exceeding \$25 million and the block trade is suitable for their customers.

A customer order may be executed via block trade only if the customer has specified that the order be executed as such. Orders may not be bunched to meet the minimum block quantity thresholds.

**11. If I call Block Trades in, what information do I have to provide?**

The initial party, preferably the seller, calls in the trade. The caller must provide the following information:

- Caller's own name and phone number
- Trade details: Product, Price, Quantity
- Time of the Trade
- Her/his side's information:
  - 1) Company Name (firm)
  - 2) Clearing Member and Account

- 3) Individual Trader's Name (if different than caller)
- Counter Party's information:
  - 1) Company name (firm)
  - 2) Individual Trader's Name
  - 3) Individual Trader's phone number

CME Group contacts the counter party to obtain Clearing Member and Account

**12. What are the time requirements for FX Block Trades and when can I execute a block trade?**

Block trades must be reported to the exchange by the seller within **five minutes** of the transaction. These rules can be found in the CME/CBOT rulebook under in section 5, under a), point ii ("Block Trade Reporting Requirements"):

[http://www.cmegroup.com/rulebook/files/CME\\_CBOT\\_RA1001-3.pdf](http://www.cmegroup.com/rulebook/files/CME_CBOT_RA1001-3.pdf)

Block trades may be executed at any time, including times when the public auction market is closed.

**13. How are Block Trades priced?**

Block trades must be transacted at prices that are "fair and reasonable" in light of (i) the size of the transaction, (ii) the prices and sizes of other transactions in the same contract at the relevant time, (iii) the prices and sizes of transactions in other relevant markets, including, without limitation, the underlying cash market or related futures markets, at the relevant time, and (iv) the circumstances of the markets or the parties to the block trade.

The trade price must be consistent with the minimum tick increment for the market in question.

Additionally, each outright transaction and each leg of any block eligible spread or combination trade must be executed at a single price. Block trade prices are reported independently of transaction prices in the regular market and are not included as part of the daily trading range. Block trade prices do not elect conditional orders (e.g. stop orders) or otherwise affect orders in the regular market.

**14. What are the Block Trade Submission Requirements for CME Clearing?**

If the Block trade is called into the GCC, the clearing firm must submit the Block through the front-end clearing via the portal under BLOCK entry. Block trades are entered by both the buyer's and seller's clearing firm and go through a two-sided match process. Upon entry, confirmation records are routed back to the firms for bookkeeping purposes. When reporting spread or combination transactions, each leg must be entered individually.

The execution time must be entered and must reflect the actual time at which the transaction was consummated by the two parties, not the time at which the trade was reported by the parties to their respective firms. If the clearing member has not acted as either principal or agent in the transaction, it must ensure that its customer provides an accurate execution time.

A block trade in a block-eligible option may be executed up to and including the day on which an option contract expires for purposes of offsetting an open option position. The offsetting block trade must be reported to the GCC pursuant to the aforementioned requirements, and the offset must be reported to CME Clearing no later than the Position Change Submission ("PCS") deadline on the day on which the option contract expires. The current PCS deadline is 7:30 PM.

**EFP Transaction of FX Products**

**15. What is an EFP transaction?**

Exchange of Futures for Physical ("EFP") transactions are privately negotiated trades transacted apart from the trading floor or open outcry and CME Globex, our electronic trading platform, but is submitted for clearing through CME Clearing. In this case, an EFP trade involves a futures contract and a cash FX position. The parties involved agree privately on a price for a simultaneous exchange/transfer of a "cash FX for futures". *An EFP can be executed for any CME FX contract.*

The counterparties must follow the requirements of Rule 538 and any applicable CFTC regulations in conducting such trades. In certain cases these trades must be approved in advance by the clearing house. EFPs are not official trades until the clearing house has matched and cleared them and the first payment of settlement variation and performance bond has been confirmed. To read Rule 538 in full, please click on the following link: <http://www.cmegroup.com/rulebook/CME/I/5/38.html>.

**16. What are acceptable forms of collateral for FX EFPs?**

- Spot currency
- Currency forward transaction
- Non-deliverable forwards (in some cases)

**17. What are the benefits of EFPs**

1. Convenience of private negotiation
2. Can be used with cash instruments
3. Designed to assist institutional trading needs
4. Risk management provided by CME Clearing

**18. Is there a difference between EFP transactions and transactions commonly referred to as "Cash for Futures", "Versus Cash" or "Against Actuals"?**

No. All of the referenced terms describe transactions that CME Group refers to as EFPs.

**19. Can an EFP be executed in all of the CME Group exchanges' futures and options contracts?**

EFPs may be executed in all of the CME Group exchanges' futures and options contracts provided that the transaction conforms to the requirements of Rule 538 and any applicable CFTC requirements. To read Rule 538 in full, please click on the following link: <http://www.cmegroup.com/rulebook/CME/I/5/38.html>.

**20. Are there restrictions with respect to who may execute an EFP transaction?**

Each EFP transaction includes a bona fide cash market transaction and these transactions therefore typically will be transacted by commercial market participants who customarily transact business in the relevant cash market. As such, EFPs conducted by non-commercial participants will be subject to additional scrutiny to validate the bona fide nature of the cash market transaction.

**21. In which products are transitory EFPs permitted?**

Transitory EFPs are where two parties contemporaneously execute an EFP transaction and an additional cash or OTC transaction that offsets the cash or OTC component of the EFP; such transactions are permitted **only** in NYMEX energy and metals products, COMEX metals products and CME foreign exchange ("FX") products.

Transitory EFPs are permitted in these products provided that each party to the transaction can affirmatively demonstrate that the initial cash or OTC position and the offsetting cash or OTC component of the EFP are bona fide transactions.

For example, Party A sells an OTC swap to Party B and contemporaneously executes an EFP whereby Party A sells futures and buys an offsetting OTC swap opposite Party B. Upon request, both parties must be able to provide documentation substantiating that the swap transactions were bona fide. As such, all documents typically generated in accordance with OTC market conventions must be generated and maintained for each of the OTC transactions. In the example where the related position component of the EFP is a swap, the master swap agreement, if such agreement exists, or the confirmation supplied by the broker must be retained to substantiate the bona fide nature of the transaction. The books of the respective parties must also reflect the execution of the OTC transactions.

With respect to transitory EFPs in FX products, Market Regulation would expect to see documentation generated by the participating broker/dealer for each leg of the offsetting cash transactions consistent with that produced for "stand-alone" OTC transactions of the same type. This documentation should identify the

counterparty to the transaction either by account number or name. However, in circumstances where the EFP is transacted between an FX broker/dealer and a CTA, account controller or other person acting on behalf of a third party (such as a commodity pool or fund), the documentation must, at a minimum, uniquely identify the particular EFP transaction and allow for its subsequent association with additional documentation which contains the identification of the third party by name or account number. All other Exchange and CFTC requirements regarding EFP transactions must be adhered to in connection with the execution of transitory EFP transactions.

**22. Can an EFP be executed to either initiate or offset a position? If so, are there any restrictions during the delivery period for physically delivered products?**

EFP transactions generally can be used to either initiate or offset positions. The two exceptions are described below:

On or after the first day on which delivery notices can be tendered in a physically delivered contract, an EFP cannot be executed for the purpose of offsetting concurrent long and short positions in the expiring contract when the accounts involved in the transaction are owned by the same legal entity and when the date of the futures position being offset is not the same as the date of the offsetting transaction.

Additionally, after trading has ceased in an expiring contract, EFP transactions in certain products may be permitted for liquidating purposes only and for a defined period of time as prescribed in the applicable product chapter.

**23. Are there restrictions on the price at which an EFP transaction may be executed?**

An EFP may be executed at any commercially reasonable price agreed upon by both parties, provided that the price of the contract conforms to the standard minimum tick increment as set forth in the rules of the relevant product chapter.

**24. What are the hours of trading for EFP transactions?**

EFPs may be executed at any time. However, an EFP transaction is not considered as having been accepted by the Clearing House until the transaction is matched and cleared, and the first payment of settlement variation and performance bond has been confirmed.

**25. How is an EFP reported?**

EFPs may be reported to the exchange via one of the following methods:

**CME ClearPort**

EFPs may be electronically reported to CME Clearing via CME ClearPort. You must be registered in CME ClearPort as a broker to enter trades on your own, or as a trader if you are the designated party to a trade. The CME ClearPort demo provides an excellent introduction for registering and submitting ex pit transactions:

<http://progressive.powerstream.net/008/00102/edu/interactive/clearport/demo/start.htm>

For additional information regarding the submission of EFPs using CME ClearPort, please visit [www.cmegroup.com/clearport](http://www.cmegroup.com/clearport) or contact CME ClearPort Market Operations at 1-800-438-8816 or via email at [CustCare@cmegroup.com](mailto:CustCare@cmegroup.com).

**Front End Clearing Systems**

The Front-End Clearing System (FEC) is a web-based application that provides Clearing Member firm back office staff with an integrated method for entering/processing a variety of trade types, including:

Member staff can enter, modify and delete trade records using FEC. Give-up and Average Pricing functionality is available. For more information, please consult:

<http://www.cmegroup.com/clearing/systems-operations/front-end-clearing.html>

For information regarding the submission of EFPs using Front End Clearing, please contact Clearing Services at 312.207.2525 or via email at [ccs@cmegroup.com](mailto:ccs@cmegroup.com).

**26. If the EFP is submitted via CME ClearPort, what are the entry time requirements?**

Generally, EFPs must be submitted to CME ClearPort within one hour after the relevant terms have been determined. If the relevant terms are determined at a time when CME ClearPort is unavailable (from 5:15 p.m. – 6:00 p.m. Eastern Time and on weekends), the EFP must be submitted within one hour of the time that CME ClearPort next becomes available. EFPs may not, under any circumstances, be posted later than the end of the permissible posting period for EFP transactions following the expiration of the underlying futures contract.

**27. What are the recordkeeping requirements with respect to EFPs submitted via CME ClearPort?**

EFP transactions entered into CME ClearPort do not require a separate record of the transaction or time of execution provided that such transactions are entered immediately after the relevant terms have been determined. If not entered immediately, the date and the time of execution of the EFP transaction must be denoted on the record of the transaction required to be created pursuant to Rule 536.E. To read Rule 536.E in full, please click on the following link: <http://www.cmegroup.com/rulebook/CME/1/5/36.html>.

**28. If an EFP is submitted via Front-End Clearing (FEC), how soon after execution must the EFP be submitted?**

CME Products

For EFPs executed between 6:00 a.m. and 6:00 p.m. **Central Time**, firms must submit the trade within one hour. For EFPs executed between 6:00 p.m. and 6:00 a.m., **Central Time**, firms must submit the trade no later than 7:00 a.m. **Central Time**.

**29. How do I properly record the execution time and date when submitting an EFP via Front-End Clearing (FEC)?**

For CME products, the clearing system will automatically assign the current date as the trade date if entered prior to 4:00 p.m. **Central Time**. Entries made after 4:00 p.m. will default to the next trade date. Users may manually change the trade date to the current date if the EFP is entered prior to 7:00 p.m. **Central Time**.

EFPs entered into Front-End Clearing by firm staff or from other locations should be entered in Central Time.

**30. What types of instruments are considered acceptable for use as the related position side of EFPs and what are the equivalency requirements with respect to the quantities exchanged?**

In general, the related position (i.e. cash, swap or other OTC derivative) must involve the product underlying the exchange contract or a derivative, by-product or related product that is reasonably correlated to the exchange instrument being exchanged. Market Regulation may request that the parties to an EFP transaction demonstrate that the related position and the exchange position are reasonably correlated.

The quantity of the exchange contract being exchanged must be approximately equivalent to the quantity of the related position being exchanged. Upon request, the parties to an EFP transaction must be able to demonstrate such equivalency.

Generally acceptable related position instruments for EFPs for FX include, but are not limited to, the following:

Instruments considered acceptable as the related position side of an FX EFP transaction may include spot, forwards, FX or cross-currency basis swaps, OTC FX options, swaptions, non-deliverable forwards (“NDFs”), currency baskets and Exchange Traded Funds (“ETFs”). The historical correlation between the related position instrument and the corresponding currency pair or index component of an EFP must be 80% or greater. The acceptability of instruments settled in

a currency other than those comprising the underlying pair should be addressed with Market Regulation staff prior to engaging in the transaction.

## General FAQs

### 31. Where can I find more information and service specifications?

For further information or if you have any questions concerning block trades, please contact the Market Regulation Department at 312.341.7970, or visit the CME Group website at: [www.cmegroup.com/blocks](http://www.cmegroup.com/blocks)

### 32. What Exchange rules will govern this service?

All disputes are governed by the CME rules and regulations. Once the trade is substituted into Clearing, any prior legal agreements no longer apply and both parties come under the rules and regulations of the CME.

For additional information on the rules, please click on the links below:

[www.cmegroup.com/market-regulation/rulebook/](http://www.cmegroup.com/market-regulation/rulebook/)

[www.cmegroup.com/tools-information/CMERulebook.html](http://www.cmegroup.com/tools-information/CMERulebook.html)

### 33. Do you have additional questions or need more information?

Please contact a member of the FX team or visit us online at: [www.cmegroup.com/fx](http://www.cmegroup.com/fx)

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